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TO RUEHC/SECSTATE WASHDC PRIORITY 3354
INFO RUEHBY/AMEMBASSY CANBERRA 0370
RUEHNE/AMEMBASSY NEW DELHI 0096
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RUEAEP/HQ EPA WASHDC
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RUCPDO/USDOC WASHDC

UNCLAS SECTION 01 OF 03 GUANGZHOU 030121

SIPDIS

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STATE FOR OES/WATSON, OES/EGC-DEROSA-JOYNT AND OES/PCI
STATE FOR EAP/CM - WARD
STATE PASS TO CEQ CONNAUGHTON AND BANKS AND NSC FOR HUNTER
DOE FOR INTERNATIONAL/PUMPHREY AND GEBERT
EPA FOR INTERNATIONAL/MCASKILL

E.O. 12958: N/A

TAGS: [SENV](#) [ENRG](#) [TSPL](#) [BEXP](#) [CH](#)

SUBJECT: ASIA PACIFIC PARTNERSHIP ON CLEAN DEVELOPMENT AND
CLIMATE: CEQ CONNAUGHTON MEETS WITH AMCHAM SOUTH CHINA

¶1. (U) Summary: In his roundtable discussion with American Chamber of Commerce South China representatives September 1, White House Council on Environmental Quality (CEQ) Chairman James Connaughton said that his mission in China was to advance the Asia Pacific Partnership on Clean Development and Climate (APP). The latter, he noted, is designed to foster private-public cooperation and to address pollution control, greenhouse gas reduction, and energy security issues. AmCham representatives outlined environmental protection efforts in their companies, and discussed challenges they face in the region. End Summary.

¶2. (U) On September 1, CEQ Chairman Conaughton met with the AmCham South China Board of Governors and selected company representatives in Guangzhou. Connaughton said that his mission in China was to advance the APP on pollution control, greenhouse gas reduction, and energy security issues. He said that the APP countries (the United States, Australia, China, India, Japan, and South Korea) represented 50% of current and future growth and energy use. The challenge would be to find ways to break down the shared commitments under the APP into practical partnerships in the APP task forces. Mr. Connaughton commented that he was working with China to bring its industrial sector more fully into the partnership. One desired policy outcome would be to eliminate tariffs on environmental equipment and services, pulling the zero-tariff issue out of the stalled Doha Round WTO negotiations. He then opened the discussion to the AmCham members present to hear about the opportunities and challenges they faced in South China.

AmCham President

¶3. (U) AmCham President Harley Seyedin highlighted the environmental protection efforts of South China companies, taking note, in particular, of MBA New Plastics Technology Co. and the Nine Dragons Paper Co. MBA, he said, uses 100% recycled materials in its manufacturing, and Nine Dragons is a waste paper export and recycling company. Seyedin also mentioned that he was trying to organize an international conference on energy and the environment to Guangzhou in 2007, and he invited the Chairman ? and those involved in the APP - to attend, if possible.

14. (U) Seyedin said that Guangdong had no significant coal, oil, or liquefied natural gas (LNG) resources and must either import these or electricity from hydroelectric plants in Yunnan Province. (Note: According to Chinese Government statistics, in 2005, Yunnan transmitted 6.296 billion kilowatt hours to Guangdong, while Guangdong generated 216.3 billion kilowatt hours. End Note). Seyedin noted, however, that in the last five-to-six years, Guangdong had done more than any other province to improve the local energy situation. An LNG plant and pipeline, which had begun operations in the province, could potentially supply the region with up to 10 million gallons of imported LNG from Australia.

15. (U) On the environment, Seyedin said that 186 water treatment plants were in the planning or construction phase. He noted that one third of power generation in the region came from "backyard" generation (small, unlicensed, highly-polluting diesel generators used during periodic power outages in the area). Once newer, larger power plants come online, Seyedin said, backyard generators would disappear. Nonetheless, the province would still likely experience major shortages for the next five years.

16. (U) These newer power plants would be mostly be LNG-fueled, as it was difficult to get a coal-fired plant project approved by the Government. Hydroelectric power transmitted from Yunnan Province supplemented local production and was a source of electricity to energy-intensive factories and residential areas in Guangdong. When there was a drought in western China, electricity imports declined, causing industries to rely more heavily

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on local coal-fired power plants and their own backyard plants.

17. (U) Seyedin said that the regional power grid could not handle the load, and that there was significant energy loss in transmission. He estimated that it would require USD 25 billion in upgrades for the grid to handle the load.

Nine Dragons Paper

18. (U) Ming Chung Liu, Nine Dragons' CEO, said that in addition to waste paper and recycling business, Nine Dragons operated its own waste water treatment plant and a coal-fired power plant that used pollution reduction equipment. Liu stated that "for better living tomorrow, we need to protect the environment today." He pointed out that Chinese-made desulfurization equipment using the semi-dry or dry method did not work and the wet method was better. As for marketing U.S.-manufactured environmental equipment to Chinese consumers, Liu suggested that the Chinese did not want to read studies or reports; "they need to see a sample, they need to see how it works."

Northwest Airlines

19. (U) Northwest Airlines General Manager for China Sandeep Bahl said improvements in airspace management near airports were needed to minimize "circling" and reduce fuel consumption. Northwest no longer used airplane power units (APUs) when planes were at an airport in an effort to conserve fuel; Chinese carriers, however, still used them. He added that he would like to see a sector-wide move towards motor-driven taxiing instead of engine taxiing. Bahl stated that while it was good that the APP promoted discussions with businesses, "decisions are made on the government level, and business complies."

FedEx

¶10. (U) Alex Yim, FedEx's Managing Director of Operations for Southern China, echoed Bahl's comments on fuel conservation, adding that non-Chinese carriers were still not permitted to fly more direct routes, such as the "L888" route across China; this would allow companies to save time and fuel. Yim said that China is now focusing more on environmental issues; recent well publicized environmental disasters had, in fact, pushed the Government to improve its efforts.

Closing Remarks

¶11. (U) Connaughton discussed his meetings with Chinese officials in Beijing, saying that the Vice Premier with whom he met was "bold" when discussing opportunities for cooperation. However, Connaughton said that the problem now is getting the bureaucracy to implement things. The United States and China are coal consuming nations, Connaughton said, and we had a special responsibility to improve our environmental protection efforts. He stated that the "payback" was real in human health terms. He noted that many of the environmental systems were cheaper to install in China than in the United States. Connaughton said that while cost/benefit analysis and pricing structures were poor in China, that there was no reason why China could not be right behind the United States in getting coal-fired plants to reduce pollution by 90%. Connaughton also told the AmCham representatives that China needed a national fuel standard and should develop clean dieselization.

¶12. (U) The Chairman expressed his desire to see CEOs of Chinese public and private companies talking to CEOs of other countries' companies and sharing knowledge and best practices to reduce pollution. He suggested that AmCham

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get in touch with its companies? CEOs and start a grassroots network to initiate this type of international dialogue.

¶13. (U) AmCham Participants

Harley Seyedin, AmCham President
Tim Wen, Allway Co. President
Simon Foo, AIU Guangzhou General Manager
Christian Doeringer, Hewitt General Manager
Charles Hubbs, Guangzhou Fortunique CEO
Tony Zou, Proctor and Gamble Director of Government Relations
Alex Yim, FedEx Managing Director of Operations
Thomas Podgurski, Royal Service Air Conditioning System Operation Director
Brad Mingus, Lexmark Director of Hardware Operations
Ming Chung Liu, Nine Dragons Paper CEO
Eric Wang, GISE-MBA New Plastics Technology General Manager
Frederick Hong, Frederick Hong Law Office
C.K. Lim, ENSR General Manager
Andy Qian, Elevation Technology General Manager
Sandeep Bahl, Northwest Airlines General Manager for China

¶14. (U) Chairman Connaughton has cleared this message.

GOLDBERG